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MEMORANDUM FOR: Executive Director-Comptroller

SUBJECT : Inspector General Survey of the Office of Logistics,
August 1969

1. This memorandum contains a recommendation for Executive Director-Comptroller approval; such recommendation is contained in paragraph 5.
2. Attached is the reply of the Director of Logistics to the report of the Inspector General as a result of the recent survey of that Office. We were pleased to note in paragraph 6 of the Introduction of the report that the Inspector General feels "the Office of Logistics is well organized and well managed" as well as "the Agency components served by the Office to be virtually unanimous in their appreciation of its efforts."
3. The report contains, from a substantive point of view, two areas of criticism, i.e., personnel management and procurement organization, and also raises certain management questions within the Supply Division. In replying to the report, we have chosen to offer, first, commentaries on these three areas, following which positions are taken in a sequential order on the 24 recommendations. We have chosen in the commentary to address ourselves first to the matter of procurement because that subject received the major interest of the Inspector General. It also contains certain observations on management of procurement personnel and, therefore,

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logically leads to the second commentary on personnel management. There lastly follows observations on the Inspector General's position on certain organizational matters within the Supply Division.

4. We have given serious consideration to the positions taken by the Inspector General and the resultant recommendations, but we cannot in all cases agree either with the facts as stated or with certain of the recommendations. We believe we will obtain maximum benefit from this matter by your approval of the positions we have taken on all of the recommendations.

5. It is recommended that the Executive Director-Comptroller approve the stated positions of the Director of Logistics on those recommendations presented by the Inspector General.

R. L. Bannerman
Deputy Director
for Support

Att

The recommendation contained in paragraph 5 is approved.

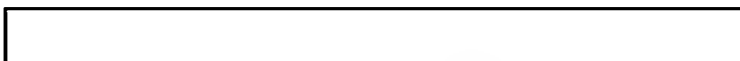
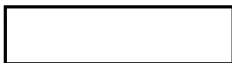
L. K. White
Executive Director-Comptroller

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1. The principal substantive focus of the Inspector General (IG) Report clearly centers on the function of procurement. This conclusion is enhanced by statistical evidence. The Report consists of 134 pages, of which 59 are devoted to procurement, and it contains 24 recommendations, of which 14 bear on procurement. We will, of course, address ourselves to the IG recommendations, but believe some general commentary and analysis will be helpful to an understanding of our position on certain of the recommendations.

2. The interest and concern on procurement by the IG is, almost exclusively, centered on the current management structure that directs the program and does not appear to interest itself particularly in the operations of the program. Yet we believe it reasonable to maintain that, if the operations are successfully conducted, the management structure involved at least has met the pragmatic test. There are aspects of Agency procurement which, if not properly conducted, can lead to considerable embarrassment and highly adverse pub-



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brought this matter to the attention of the Chief, Technical Services Division, obtained his agreement to gradually cease its utilization, and eventually sever from it entirely. That program has now been successfully accomplished and, where necessary, we are using several

X1 Office of Logistics-organized and tightly controlled, viable

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It should also be noted that the Office of Logistics has played a significant and leading role both in developing and implementing Agency policy concerning contractual relations with academic institutions, and has kept Agency visibility in this area to the absolute minimum.

We mention these matters because we believe it is of equal importance for someone to record the successful and secure conduct of procurement for intelligence as it is to note and discuss management concepts that guide a procurement program.

3. We would like to offer one other observation on both the current management structure and the workings of the current Agency decentralized procurement program before addressing ourselves directly to the IG recommendations. One historic criterion in this Agency, by which a support mechanism is judged, is its acceptance by senior Operating Officials of the Agency. In this connection, we should like to quote from a memorandum to the Executive Director-Comptroller of 10 June 1969, signed by Mr. Carl E. Duckett, Deputy

SECRET

Director for Science and Technology:

"2. In February 1968, working cooperatively with the Deputy Director for Support and the Director of Logistics, I established a contracting team in Headquarters Building to support S&T Offices: OEL, OSI, FMSAC, and OCS. That team proved so successful that in March of this year, again in cooperation with the DDS and D/Log, I extended the concept by establishing a second contracting team to support the contract requirements of the Office of Research and Development in the Ames Building.

"3. Our experience to date with the concept has been excellent; and I believe that the contracting team, fully integrated in the technical office, provides a contracting system which is unqualifiedly superior to others."

4. As mentioned previously, the focus of the Inspector General's considerations on procurement impact, with few exceptions, on the management structure that guides the program and to that focus we now address ourselves. There is a clear philosophical difference between that management structure the IG would have us have and that structure which, to date, appears to have successfully brought into existence and now guides our decentralized system. The essential elements of the management structure espoused by the Inspector General are found in four of the 14 recommendations and, in order of significance, they are numbers 24, 12, 11, and 16. If these four recommendations were approved and implemented, a management structure for procurement would be created which would see an "Agency Contract Policy Review Board" established in the Office of the Deputy Director for Support; the establishment of a position of "Assistant Deputy Director of Logistics for Contracting" with command prerogative overseeing the entire procurement system; contracting officers, regardless of where they were assigned, either being rated or reviewed on their fitness reports by

SECRET

Office of Logistics personnel; and all NRO contracting¹ becoming intermingled with Agency-appropriated fund contracting and coming under the supervision of this mechanism. In essence, a tightly controlled and authoritative management structure would be created. We do not believe the time has yet arrived to adopt this recommendation and, further, we possess some reservations on the basic premises involved.

5. Viewed within the theoretical concepts of organizational management, we understand the rationale of the Inspector General's recommendations. We have difficulty, however, in matching the theoretical concept both to the practical views of the matter plus the accomplishments made to date. The IG Report makes frequent reference to the "22-month" history of decentralization and, accordingly, leaves the inference that the totality of the system has existed for that period of time. The fact of the matter is that the system came into being incrementally over a period of 18 months, and only since March of 1969 has the ^{TOTAL} basic structure we were directed to accomplish come into being. If one then chooses to make a judgment on the totality, one is limited to a timespan of some eight months. The Inspector General, himself, notes in the Forward of his Report the complexities and sensitivities of the undertaking, and we thoroughly subscribe to his observations. Our actions have endorsed our feelings and the temptation has been resisted to force a more junior officer to assume responsibility to create and initially guide the new system. We believe, as the Inspector General observes, that on a matter of this significance ~~that~~ authority should be exercised where responsibility resides. It is axiomatic that it is much more difficult and challenging to bring into being new

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organizational concepts and insure their successful operation during the initial period of development than it is at a later date to monitor and direct their continuing existence. What the Office of Logistics had done here is only symptomatic of what has happened throughout the history of the Agency when major organizational developments take place. Senior officers assume the personal responsibility for the implementation of the change and do not turn to the traditional military theory of distributive responsibility where numbers of assistants and staff officers are involved with an inevitable diffusion of responsibility and dilution of command directive. We feel that to retreat from this posture of senior command interest and direction at this time would serve to prejudice and not enhance the remaining work needed to be done to further develop the concept and insure the necessary degree of coordination so that control of the dispersed procurement mechanism is neither lost nor diminished to the prejudice of the Agency. It is our proposal, accordingly, to maintain and retain the current structure controlling, guiding, and further developing the decentralized procurement system for an additional year. We would then, toward the end of calendar year 1970, undertake a further review of accomplishments made to that date and assess our capability both from the point of available, qualified personnel, plus ceiling positions, to create the command structure that the IG now recommends.

6. Our earlier expressed reservations on the concept espoused by the IG for managing the Decentralized Procurement System are based on the following observations. The adoption of this concept could, in effect, tend to bring about an even more centralized management structure than that which existed prior to 1 September 1967 and which we were directed to change. We are also unsure that the managerial principles or style of this Agency encourages, or indeed perhaps tolerates, the type of centralized control of personnel innate in the IG

concept nor are we convinced that this concept is compatible with the Agency manner of conducting its affairs.

7. Throughout the text supporting the four significant IG recommendations, i.e., 24, 12, 11, and 16, are found various statements with which we must take some exception. It would probably be neither constructive nor productive to list all observations concerning which we have disagreement or reservations, and we have, accordingly, selected only those which appear to us to have unique significance. We note, for example, in paragraph 19 of the procurement section, a comment concerning the lack of staff assistance to the Deputy Director of Logistics to accomplish his role as the overseer of the new procurement system. We agree with the fact as stated but would have been appreciative if the point had been more thoroughly pursued by the IG representative. The cold fact is that one cannot have that which one cannot afford. For the past two years, we have continually requested, and have continually been denied, increased personnel ceiling for the new two positions created in September 1967 to conduct the work of the Contract Review Board, i.e., the Chairman and his Secretary. This Office has had to "eat" out of its T/O, such T/O having been reduced by in five 25X years, those two jobs. With this fact clearly on the record, it would make little sense to go forward with a request for other new staff support with a predictable denial being forthcoming. This fact, then, logically leads to our disagreement with the IG position that the Chairman of the Contract Review Board should perform no staff work for the Director of Logistics and concern himself solely and exclusively with Contract Review Board matters. The IG Report also infers there is an inferential "conflict of interest" in one individual being both Chairman of the Board and also a staff assistant to the Director of Logistics on procurement matters. We find no more "conflict of interest" here than we find in the Director of Central Intelligence being

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both the Senior Intelligence Advisor to the President of the United States and the Executive Head of Central Intelligence; nor do we find it any different that the Deputy Director for Science and Technology also being the Director's Senior Research and Development Coordinator throughout the entire Agency.

8. We note the Inspector General recommends that both the rating and/or reviewing of the fitness reports on contracting officers assigned to the decentralized teams (and here we assume that also includes the Offices of Special Activities and Special Projects) be executed by command officers assigned to the Office of Logistics. A management principle bearing on this specific matter was espoused by the then Deputy Director for Support (now Executive Director-Comptroller) in 1952 and accepted by Agency command and has remained inviolate for 17 years. That principle is that officers of the Support Services assigned to Operating Components come under the command jurisdiction of that Component, to include the Component's right and responsibility to both rate and review Support personnel. If this principle were ever tested and still found valid, it was done so at that time when Office of Finance personnel, with delegations of authority to act as certifying officers, were assigned to Operating Components and came under the rating and reviewing authority of those Components. Command responsibility cannot be divided and there is no fact sufficiently unique to the responsibilities of a contracting officer that justifies deviation from one of the soundest management principles ever adopted by CIA. The exercise of a delegation of authority by these officers is periodically reviewed by representatives of the Director of Logistics and this fact establishes the needed system of "checks and balances." In connection with this later observation, we also note that paragraph 65 says in effect that the three principal sources of information available to a "senior contracting officer" (presumably the Director

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of Logistics) to manage a system are the Contract Review Board, Procurement Officers' Meetings, and the two existing automated contract information systems. We suggest that one of the principal sources of information, surveys of the procurement teams conducted by the Special Assistant to the Director of Logistics, is one of the prime sources of information and yet it is not noted. The monthly statistical reports, organized in various formats to include work done by teams, by type of contracting, by organizational units, and by purpose of contract, is a continuing workload and managerial input. We would further observe that the personal and continuing involvement of senior officers responsible for overseeing and operating the system represents a continuing source of information and control which, in the last analysis, is probably more efficacious than any formal system that could be devised.

9. Serious words are spoken in the IG Report concerning the career responsibility for contracting officers held by the command structure of the Office of Logistics and the language inferentially creates an impression that this responsibility is perhaps not being well met in this day of a Decentralized Procurement System. The particular language to which we make reference appears on pages 96 and 97 and reads as follows:

". . . With the creation of the independent contracting teams, their physical isolation, and the reduction in size, scope and responsibility of the Procurement Division, some of the aspects of a viable career service have disappeared.

"39. We feel it is important to the future of the decentralized contracting process in this Agency and to the officers that participate in it that the features of a Procurement Officers' career service be preserved. One senior officer should be responsible for the selection of qualified candidates, their training, their assignment, and their evaluation as procurement officers. We feel that this activity cannot be effectively performed for long personally by the Director or Deputy Director of Logistics."

We believe the facts from the period 1 September 1967 to 26 September 1969 bearing on the discharge of responsibility to career officers very adequately speak to this point. There are

SECRET

today 73 officers performing a procurement or purchase function under the career cognizance of the Director of Logistics. These individuals are found in seven different organizational entities. In the last two years, 27 of these officers have received a grade promotion; 14 of these officers have received a Quality Step Increase; and the Office of Logistics has either sponsored or concurred in 78 external training opportunities. Additionally, we have sponsored or concurred in 63 internal training opportunities. We have introduced 15 new people into the procurement function and have rotated 33 officers. The rotation has included overseas assignments, transfers from Procurement Division to Operating Components, transfers from one X1 Operating Component to another, and transfers within the Office of Logistics itself, i.e.,

[REDACTED]

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[REDACTED] and the Contract Review Board. We would be happy to have this record of interest in careering a group of functional specialists matched against any other group of functional specialists within the Agency.

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10. Having opened the subject of career management, this is perhaps the appropriate place to comment generally on the Inspector General's remarks as they pertain to the Personnel and Training Staff, OL. We will respond later in this paper to the specific recommendations. The Inspector General report states "...The Office of Logistics does not have a Career Service Board that functions as such. The Office used a Career Board system until late 1964. It was ignored thereafter as unproductive both by the previous and present Director of Logistics." One gets the impression from these statements that decisions affecting the careers of Logistics personnel are made by the Director of Logistics without due consideration of the opinions of his Division Chiefs. This is a misconception which hopefully the following remarks will clarify:

On 15 October 1964, the Logistics Career Board was made an advisory body in developing career service policy and ceased to function as a voting group on competitive promotions or personnel assignments. Each Division Chief is regularly asked to make recommendations for competitive promotions or personnel reassignments. This is really no different than the way the Board operated in the past because the Board made recommendations to the Head of the Career Services and he approved or disapproved those recommendations. The only significant difference is that members do not meet in a body to decide issues on the basis of majority rule.

11. On the subject of personnel policies, the Inspector General's report indicated that practically every employee expressed a total lack of knowledge on the

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

subject of career management and career development. For example, one female employee was specific in her complaint that while she could not get a promotion, no one would tell her why. It is difficult to answer this kind of complaint without knowing the particular circumstances the employee is confronted with. In general we discuss with every overseas returnee his career potential and, of course, we discuss with numerous individuals their career development whether for training purposes or for overseas assignment. A followup interview is held with each individual assigned to the Office of Logistics--the first is held with professional employees 30 days after entry on duty and again after six months on duty. Clerical individuals are interviewed between six to eight months after entry on duty.

12. The Inspector General focused on problems caused by rotational assignments. Most problems apparently centered on a lack of information about the next assignment or a lack of a next assignment (indefinite tour), leave record problems, timely information on training requests and the general feeling that Logistics careerists assigned to area divisions were forgotten and their careers suffered as a consequence. Specific Inspector General statements and our comments are as follows:

a. Inspector General Statement: Logistics personnel in the Far East, almost without exception, complained they could not get timely information on their next assignment when rotation was imminent.

Comment: It is true that personnel departing the Far East area in the summer of 1969 were not advised until early May about their next assignment. We know of only one individual who made a specific request before 1 May to obtain his

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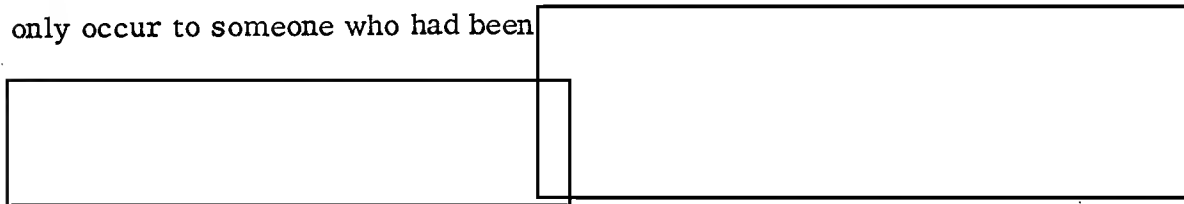
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assignment and this information was furnished separately on 28 April 1969. It is realized that this information is of great interest and importance to the employees but with the many ramifications in personnel processing (medical, security, BALPA, OPRED, etc.) it is not always possible to give timely notice. We plan to advise the 50 or so employees departing overseas stations next summer of their new assignments by January 1970.

b. Several employees could not get their leave records straightened out upon return to Headquarters. One case was nearly a year old. (This is more the fault of the Area Division and the Office of Finance, but indicates that Logistics did not follow through).

Comment: There is no record in our Personnel and Training Staff or anyone requesting assistance about transfer of leave. As we see it, this could only occur to someone who had been



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c. Inspector General Statement: Several overseas employees had asked for special arrangements on training, which required Headquarters approval, and they could not get a timely answer.

Comment: There were two individuals who asked for approval for educational leave after completion of their tour in the summer of 1969. One individual made the request in mid-November 1968 and the dispatch was inadvertently destroyed. In May 1969 the individual was notified of the approval but in late May 1969 he reported that he did not gain admittance in the University of his choice and would

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

SECRET

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report for duty. The other request was not received until 16 May 1969 which was after the Inspector General's tour overseas.

d. Inspector General Statement: Most Logistics careerists assigned to Area Divisions expressed the view that once so assigned they were forgotten and that their careers suffered as a consequence.

Comment: No individual assigned in an Area Division has made this statement to any member of my Staff. We cannot agree "that their careers suffered as a consequence" since only 15 of the 52 promotions in FY 70 went to careerists in Office of Logistics positions. The remaining 37 went to careerists in positions outside the Office of Logistics. Of these 37 promotions, 16 went to Logistics careerists in the Clandestine Service. Of the 41 individuals now assigned to the Clandestine Service, 60 percent have been there less than three years; 29 percent have been there from three to eight years; 10 percent have been assigned there over eight years. Most of those who have been there the longest period of time have expressed a preference to remain in their assignment.

5X1 e. Inspector General Statement: The concept of indefinite tours was brought up by several [] employees. One employee had asked for mid-career training. He was told, however, that only employees on Headquarters assignments could be considered for the Mid-Career Course. He then asked when he would be rotated to Headquarters and was told that his tour [] was indefinite. While this situation eventually was rectified and the employee was to receive his transfer and his appointment, this type of paradox is not conducive to good morale. As a matter of fact, it must be extremely difficult for any

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employee to make intelligent plans for education of children, or
career development when assigned on the basis of an indefinite tour.

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Headquarters, his request will be given appropriate consideration at any time.

13. The remaining statements by the Inspector General on the Personnel and Training Staff have to do with overall ceiling, replacements, availability of the Staff for individual problems, honor and merit awards and problems presented by retirements at the

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a. Inspector General Statement: "The Office has an approved ceiling of staff...As of 1 July 1969 there were employees on duty."

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Comment: Statistics on the present ceiling and on duty strength are more significant when contrasted to the situation six years ago (31 October 1963) when the Office ceiling was and there were employees on duty.

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

SECRET

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b. Inspector General Statement: The Chief of the Motor Pool Branch knows he is losing six or seven employees, but has no information on replacements.

Comment: At the time of the Inspector General survey and on 1 November 1969, the Motor Pool personnel situation was as follows:

	<u>Authorized</u>	<u>On-duty</u>	<u>In Process</u>
Time of Inspector General Survey	<div data-bbox="768 764 1347 926"></div>		
1 November 1969			

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Three chauffeurs retired as of 31 October 1969. The next known vacancy is in March 1970, and the next one after that is in April 1970. Therefore, the Motor Pool is two understrength as of November 1969 and will remain so until additional chauffeurs are recruited and put in process. The Office of Personnel is aware of our requirement.

c. Inspector General Statement: Several supervisors in various elements of Logistics made the comment that anytime they or an employee had a personnel problem they were always told to report to the Personnel Staff in the Ames Building and that personnel people never came to see them.

Comment: Members of the Personnel and Training Staff have visited the Printing Services Division and Headquarters Building on numerous occasions. Instructions to members of that Staff are to be available to any of the operating components at any time.

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

d. Inspector General Statement: Available records reveal that only 27 honor or merit awards have been granted to Logistics employees since 1956. Of the 27, 12 were given to employees who were retiring or who were military detailees returning to their parent organization. In other words, approximately 15 awards have been given in 13 years by an Office that controls approximately Logistics Careerists.

Comment: The Office of Logistics has energetically sought to find ways to award individuals in addition to the honor and merit awards program. For example, Fiscal Year 1968, 32 Logistics Careerists were awarded Quality Step Increases and in Fiscal Year 1969, 55 were granted Quality Step Increases. Further, the Incentive Awards Program at resulted in four individuals being honored in Fiscal Year 1968 and 14 in Fiscal Year 1969. Also, there is an Awards Program for the Mail and Courier Branch, Logistics Services Division. In Fiscal Year 1968, three individuals were awarded \$25 each, and in Fiscal Year 1969, two individuals were awarded \$25 each, and one individual received \$100. Also, we have a Safe Driver's Award for chauffeurs and other drivers in the Motor Pool. In Fiscal Year 1968, 72 individuals received lapel buttons and safe driver's cards for the year and 14 other individuals received additional special awards. In Fiscal Year 1969, 70 individuals were given lapel buttons and safe driver's cards for the year and 7 drivers were given other special awards.

e. Inspector General Statement: The team found a number of cases of mis-slotting and double slotting. While number was not unusually large, several of these cases had been mis-slotted for up to two years.

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

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Comment: The principal reason for the mis-slotting was because a request had been made to establish a new position in the Procurement Division for use in an Automatic Data Processing function. Although this position was classified by the Office of Personnel, this Office had not received a ceiling increase to cover the position; consequently, it had not been established on the books. However, the function has been performed and numerous physical reassignments were made of individuals to bring this about. During the course of the Inspector General's survey, when this was informally brought to our attention, the mis-slotting was corrected.

f. Inspector General Statement: (Pertaining to) "Turn-over of personnel is not high but retirement has proven a problem making people available for training and succession."

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Comment: For the next three years, that is through 1972, ten individuals are scheduled for retirement at , four GS grades five to 14 and six Wage Board employees. If they all retired this month, nine of the ten could be replaced with current personnel on board. The one that could not be replaced from current assets is a secretary-stenographer, GS-05. Therefore, retirements do not pose a problem.

14. Turning now to the Supply Division we feel it is appropriate to answer some of the general comments before addressing ourselves to the specific recommendations.

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IG Statement, Paragraph 9, Page 29

X1 "Of considerable interest to the survey team was the method used by
this Unit to acquire materiel and account for funds. It differs from the
X1 system employed by the [] of the Procurement
Division. It is our understanding that items procured by the []
X1 [] are not processed through the financial property accounting
system. This obviously is a faster and simpler way to handle a procure-
ment action and to process the paperwork. If this method is acceptable for
X1 the [] we wondered why it could not be adopted for
general procurement."

Comment:

X1 The two situations are not compatible. The fact that [] actions are
not processed through the FPA System has no bearing on the method and
speed of action taken. The categories of materiel specified for requisition
X1 through [] channels can be likened to those which the overseas stations
would procure locally if available. They consist of items generally available
on the commercial market, not carried in the Logistics system, not requiring
review by technical components, required in small quantities and of relatively
low dollar value. The request is forwarded directly to [] from the overseas
X1 station. The [] procurement agents, on individual bases, arrange for,
pick up, package, and ship those requirements (except when [] method
X1 cannot be used). We suggest that the General Procurement Branch of the

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

Procurement Division is not the proper point of departure to revise the FPA System. Additional comments on this matter are also contained in comments referring to Recommendation Nos. 8 and 15.

IG Statement, Paragraph 15, Page 32

"The staff employee occupying the stock control position did not seem fully occupied and is doing work previously done by a Government Services Administration employee who is still at the ☐"

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Comment:

The "staff employee" concerned was a marginal employee and has since resigned.

IG Statement, Paragraph 16, Page 32

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

SECRET

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IG Statement, Paragraph 30, Page 41

"We question the location of [] under the Stock (sic) Management Branch. The Section receives more than 90 percent of its work direction from the Central Control and Distribution Branch, discussed below, and from a standpoint of workload, perhaps it would make sense to place it under that Branch."

Comment:

X1 The [] is not a stock management function; it is a supply management function in a broad sense. It serves the other elements of its Branch in its procurement of materiel for stock and providing information on availability of excess materiel, etc. That [] "receives 90 percent of its work distribution from CCDB" can be misleading. CCDB has no directive authority over other units; it is a clearing house with respect to the point at issue. We cannot agree with the IG suggestion.

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Our specific comments on the Inspector General's Report recommendations now follow. Four recommendations, 11, 12, 16, and 24, have been addressed previously in this reply and represent our comments on the totality of those recommendations.

SECRET

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

Recommendation No. 1

a. Each Division Chief today, as in the past, makes his recommendation to the Director of Logistics about personnel assignments, reassignments, training, and promotion for the people under his jurisdiction. The Division Chiefs are not brought together in a body to debate or vote on specific individual personnel actions covering employees not under their specific jurisdiction.

b. Annual employee counseling is now being performed when the Fitness Report is prepared and more often if appropriate.

Each Division Chief now discusses proposed assignments with his appropriate branch chief before an employee is reassigned. Branch chiefs initiate recommendations for promotions and quality step increases. Each Division Chief will be encouraged to bring about a greater degree of participation by their section and branch chiefs in personnel management and career planning.

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

SECRET

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

Recommendation No. 2

We agree with the intent of this recommendation but its implementation depends on the availability of security officers who can be assigned to the Office of Logistics for the sole purpose of training. In the event security officers cannot be made available for such use we will propose that industrial security officers serve a tour of duty, possibly of shorter duration than normal, in the Office of Logistics Security Staff before being eligible for assignment to the independent contracting teams and staff components.

SECRET

Recommendation No. 3

We disagree with this recommendation. As outlined in the foregoing general commentary, it is a basic management principle that officers of the Support Services assigned to operating components come under the command jurisdiction of that component to include the component's right and responsibility to both rate and review support personnel. We will, however, propose to the appropriate authorities that the Chief, Security Staff, Office of Logistics be allowed to examine and comment on fitness reports of Office of Security personnel assigned to independent contracting teams.

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Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

Recommendation No. 4

This recommendation has focused on a problem area which we feel should be further explored. Discussions on this subject between the Chief, Security Staff, Office of Logistics, and the Security Management Staff of the Directorate for Science and Technology have already occurred. If investigations reveal that it is feasible and desirable to subordinate the two industrial security officers [REDACTED]

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X1 [REDACTED] then we will make such a recommendation to the Deputy Director for Science and Technology.

Approved For Release 2003/05/27 : CIA-RDP84-00780R003400080028-9

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Recommendation No. 5

We requested Office of Security comments on this recommendation. The Director of Security disagreed with the recommendation citing, inter alia, that it is a basic principle of management that there be a separation of command between the safety program and offices responsible for logistical support.

We propose to take no further action on this recommendation.

SECRET

Recommendation No. 6

X1 "That the Director of Logistics take action to redesign and renovate the office space at the [REDACTED]

Comment:

X1 Agree. At such time as funds are available we will take action to improve the office space at [REDACTED]

Recommendation No. 7

"That the Director of Logistics issue instructions that when workload permits additional effort be made to purify [REDACTED] stocks of unneeded arms and ammunition. 25X1

Comment:

X1
X1 [REDACTED]

Recommendation No. 8

"That the Director of Logistics initiate with the Director of Finance a study to examine the present procedures used in the financial property accounting system to achieve still further simplification of those procedures and liberalize property and financial property account requirements in the Type II and Type III accounts."

Comment:

We agree in principle. However we wish to point out that upon implementation of the modern Electronic Data Processing System now under development, the concept of Types I, II, and III accounting systems as now employed would vanish. ~~On that basis~~ We do not believe that a major review of those systems under these circumstances would be practicable.

Recommendation No. 9

"That the Director of Logistics revise present practice so as to provide that administration of procurement actions assigned to Procurement Division is conducted by the unit and officer undertaking the procurement action."

Comment:

The administration (followup) of procurement Division actions directly to the vendor by CCDB is limited to those actions initiated by the General Procurement Branch [] or Contract Branch procurement). Prior to the establishment of CCDB the followup of these same actions in the Procurement Division was by an element not a part of the General Procurement Branch. We see nothing sacred about procurement officers doing the followup on actions they initiate with vendors. We cannot agree with the recommendation.

Recommendation No. 10

"That the Director of Logistics and Chief, Supply Division, consider the consolidation of the Central Control and Distribution Branch and [] [] or take steps to reduce duplication and to revise the procedures employed by the units."

Comment:

a. The functions of CCDB and the [] Stock Control Branch are enumerated below:

Central Control & Distribution Branch

1. Receive all requests for materiel.
2. Scan requisition for items carried in system
3. Item not carried in system, reviewed by cataloguers and assigned numbers
4. If [] request, prepare requisition.
5. For items carried in system, determine which [] should be given requirement.

Stock Control Branch []

1. Receives three types of requisitions:
 - a. Requisition (ditto mat) when all items are to be issued from stock at CD.
 - b. Requisition (ditto mat) split stock and procurement, when stock items only are to be issued from stock at CD.
 - c. Requisition (ditto mat) when all items are coded procurement, file in the accountable voucher file.
2. Checks availability of stock items at CD for issue:
 - a. If items are available for issue, posts stock issues to stock status report and indicates quantity on requisition to be issued.

Central Control and Distribution Branch

Stock Control Branch

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6. For items not carried in system, determine procurement source, i. e., [] GP (PD), ICS (PD), CPB (PD), WCPO (PD), [] []
7. Schedule (review and assign RDD Dates) actions for stock issues and procurement. Establish priority codes.
8. Forward to appropriate [] and/or procurement element(s) for action. Establish followup file for procurement actions.
9. On receipt of [] action documents establish followup file.
10. Follow up with vendors, [] or other action elements when scheduled dates are not met.
11. Notify customer of delays or rescheduling of requisitioned materiel.
- b. If sufficient quantity not available for issue, places item on due-out and annotates the stock status report and requisition to this effect. Marks the requisition with the due-in voucher number.
3. Assigns the transaction analysis code on requisition (ditto mat).
4. Reproduces and distributes all required copies of the requisition.
5. ACTION COPIES of the requisition are forwarded to [] [] CD for processing.
6. One copy of requisition is utilized to record the transaction for OCS.
7. One copy of requisition if forwarded to CCDB for followup.
8. Reproduces (if required) and distributes required copies of the receiving report. One copy of R/R sent to CCDB for file in official procurement folder.
9. Processes receiving reports:
 - a. If items are for stock:
 - (1) Posts receipt to stock status report
 - (2) Assigns transaction analysis code
 - (3) Records the transaction for OCS
 - (4) Release due-outs on requisition (ditto mat)
 - b. If items are for direct shipment:
 - (1) Assigns transaction analysis code
 - (2) Records transaction for OCS
10. Deposits the posted receiving report in the debit accountable voucher file.

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b. As pertains to Stock Control Branch/[] requisitions have three possibilities:

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(1) All items in stock: In this case, requisition ditto mat is forwarded intact to CD/SCB. All copies required are produced by CD/SCB.

(2) No items in stock: CCDB runs off and distributed all required copies.

(3) Some items in stock, some to come from procurement: CCDB reproduces copies required for procurement action. Ditto mat is then sent to CD/SCB where remaining copies required are reproduced and distributed.

(4) In other words, CCDB runs off copies required for procurement action. CD/SCB runs off all others.

c. The records which CD/SCB sends to the archives are the official accountable property records for transactions involving [] These records involve receipt, issue, shipment or disposal of property. The official records maintained and retired to archives by CCDB are procurement instruments. There is not duplication of action between these branches. As pertains to reproduction facilities, if these branches were physically adjacent there could naturally be greater utilization of such facilities, as could be between any units using such facilities. We cannot agree with the recommendation.

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Recommendation Number 13

We agree with the spirit of the recommendation but, inasmuch as we have no command or technical supervisory responsibility for contracting matters handled under the direct delegation of authority from the Director to the Offices of Special Activities and Special Projects Contracting Officers, we have taken no positive action on the matter. The formalized Procurement Officers' Meeting, as the IG Report acknowledges, is a relatively recent innovation. We appreciate the favorable comments given by the IG on the management technique. The substance and value of the meetings appear also to be recognized by others and, in August of this year, the Senior Contracting Officer of OSP asked for the right of attendance. The request was granted and we suspect the Senior Contracting Officer of OSA will quite soon state his own desire.

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DD/S Contracting Team (Recommendation Number 14 and
Purchasing Division (Recommendation Number 15)

There is merit to this idea insofar as uniformity and consistency of organizational format is concerned. We are persuaded, however, that a greater and more substantive interest is served by maintaining the current structure and responsibilities of the OL/Procurement Division. As an Operating Component that reflects all facets of purchasing and procurement it continues to afford us an excellent professional entry point to expose newly hired procurement personnel to the totality of the Agency procurement spectrum. Its formal type of organization allows a young officer to spend a period of time in the three identifiable functions of procurement, i.e., negotiation, administration, and settlement. By having these unilateral exposures the officer is then much better equipped, when rotated to a decentralized team, to act in the "womb to tomb" mode where he is responsible for all three functions. While there is only a minor amount of R&D contracting done within this Division, and the vast majority of it is development and not research, again an opportunity is afforded for on-the-job training to better equip an individual for eventual assignment to the decentralized teams. We are also concerned, in this day of decentralization, of too much fragmentation and believe that the current procurement organization is just about appropriate to meet Agency needs and any further decentralization might tend to represent consistency only for consistency's sake.

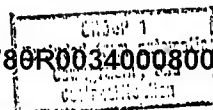
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Recommendation Number 17

We agree with the thrust of the recommendation but its manner of implementation will be somewhat dependent on future command organizational changes in the Office of Logistics.

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Recommendation Number 18

We agree with the thrust of the recommendation and will undertake study to determine workload factors involved prior to committing ourselves to its implementation.

Contract Information Systems (Recommendation Number 19)

The Office of Logistics takes no position on the merits of recommendation number 19 which would see merged the current ACORN (DD/S&T) and CONIF (OL) contract information systems. This matter was thoroughly investigated by SIPS personnel some six months ago and, acting in its chartered and authoritative role, the SIPS Task Force determined to continue in existence both systems.

We do offer several comments, however, on the IG's Report. We agree with the Inspector General that each system has its unique and valuable characteristics. Paragraph 67 identifies the ACORN uniqueness and paragraph 69 states ". . . in contract to the ACORN system, the CONIF data base does contain substantial information on the state of contract settlement." While we are the first to admit, incidentally, that the CONIF system is susceptible to much more refinement and development, we are not prepared to grant the statement, also in paragraph 69, that "Programs for access to the data base are grossly inadequate." In this connection, paragraph 70 of the Report states as follows:

"Our inquiries revealed that the Office of Computer Services could provide programs within two or three weeks which would markedly improve access and, consequently, the utility and value of the system. We passed this information to the Office of Logistics and were advised that the decision had been made to deter upgrading the existing CONIF in view of the improvements anticipated from the Support Information Processing System (SIPS)."

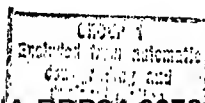
We offer two observations on the above-quoted language. Upon further study, we have decided to proceed with upgrading, including both content and programming, the existing CONIF system. There does seem to be some confusion, however, on the matter of OCS having a capability to markedly improve access within two or three weeks. According to the OCS representative, to whom the inspector put the question, his answer was not correctly

Recommendation Number 20

Without taking any position on the organizational location of the Contract Review Board, we agree that the Board should continue to interest itself more in substantive policy matters and less in a contract-by-contract review mode. We went to great lengths to explain to the IG representatives that this indeed was our plan, and they indeed reflect that knowledge in paragraph 79. It must be remembered that Board members were not picked for their extensive knowledge and background in the field of procurement but because of the general overall seniority and expertise. The Board itself, as the IG Report reflects, had considerable reservation about its capability to become deeply involved in a role of policy review and formulation. One cannot hasten the accumulation of experience and, as the Board continues to play its role, it simultaneously contributes to its own background to become more intimately involved in policy matters. We feel that this evolutionary approach, in the long run, will insure the Board's playing a more substantive role in continually having greater impact on matters pertaining to procurement policy. We feel it would be a mistake to "force feed" in this connection. ILLEGIB

We further agree that the Contract Review Board should prepare and submit to the Director, through channels, its annual report to include recommendations where appropriate. We note that recommendation number 20c lists the various items to which the IG would have the report address itself. We suspect that ^Ssome of these elements are perhaps too precise and/or individual to be appropriate for a report to senior management, and we would propose to suggest that the Contract Review Board devise its own format and select its own content.

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understood. The OCS representative stated that an "on-line" capability could be furnished within three weeks. This has nothing to do with reprogramming, per se, but merely means the installation of a remote control console in the Ames Center Building and then reformatting the file. Reformatting¹ includes transposing information now on ~~the~~ magnetic tape to computer memory discs. The basic program remains the same. To reprogram is a very basic undertaking, and we have asked OCS to undertake it. Not only can it not be done in "two or three weeks", but several months have already transpired while OCS is studying how to do it and what new program to use. This whole area is a rather complex one, and we feel we should take our guidance from the SIPS Task Force, which is technically trained and competent in this field. Therefore, we take no position on the recommendation and will continue to take advice from technically competent people.

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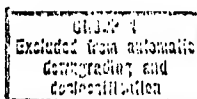
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Recommendation Number 21

We agree with the propriety of this recommendation and we understand the reasons for the Inspector General bringing it forth. For several reasons, however, we do not agree with the practicality of the entire recommendation and note that the IG's Report itself, in paragraph 85, states that "technically" the classes of contracts in the recommendation should be subject to Contract Review Board action. We also note that in recommendation number 20, and the language supporting it, the Inspector General encourages the Board to "deemphasize its review of individual contractual actions, reserving such reviews for those cases or groups of cases which possess unique policy implications and which contribute to some element of its annual report." It could be maintained, therefore, that were we to implement recommendation number 21 in its entirety we might inferentially be prejudicing the implementation of recommendation number 20. We explained to the IG representatives the staffing history of the proposal on decentralized procurement and the establishing of the Contract Review Board, in papers given to and approved both by the Director and the Executive Director-Comptroller. All through the fabric of the proposals ran the thesis that the Board would exercise cognizance over research and development cases. This point was elaborated upon in great detail by the previous Inspector General's Report, primarily based on the report of the [redacted] which laid great stress on bringing closer, organizationally, technical officers and contracting officers involved in research and development undertakings. As evidence of this, we have attached (Attachments ___ and ___) reproductions of two briefing sheets shown and explained to the Director on this matter. The prominence of research and development speaks for itself (Attachment ___) on the reproduction of the chart, and the third entry under "DD/S Recommendations" again highlights research and development

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contracts. We are frank to admit that in the paper signed by the Executive Director-Comptroller on _____ the words "research and development" were omitted when stating, in general terms, what would be the area of cognizance of the newly created Contract Review Board. This error was noted shortly before the paper was presented for signature but, on the assumption that the intent was so well understood and had been so thoroughly discussed with all senior officers involved, we felt the spirit of the undertaking was beyond question. Accordingly, the paper presented was not recalled, and was signed. This oversight was called to the attention of the initially appointed members of the Contract Review Board when they themselves participated in drafting their own charter. They agreed that the purpose of the Board was to assume cognizance over research and development contracts and, accordingly, met the issue by deleting the language found in paragraph 2b of , dated 8 April 1968, "CIA Contract Review Board "(Attachment ____):

"Such review of individual contracts or classes of contracts may be waived by the board with the concurrence of the Director of Logistics."

This position was immediately made operative by the Board and they excluded from review production contracts and contracts for "external analysis." External analysis contracts are, in reality, vehicles by which intelligence reports are purchased from institutions in the private sector. They do not represent research and they do not represent development. They do, however, to again quote the language of the Report, represent "cases. . . which possess unique policy implications" and for that reason would agree, therefore, that they come under Board cognizance. We are not in agreement, however, that production contracts meet either the criteria for Board consideration established by the Inspector General or would the submission of such contracts to the Board be in the spirit of recommendation number 20.

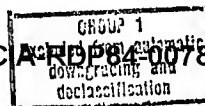
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Recommendation Number 22

The \$150,000 limitation established as the base for Contract Review Board action was deliberately chosen so as to reflect the same dollar limits as found in the Agency operational approval regulation. While we do not disagree with the IG's recommendation to raise that level, we are aware of action by O/PPB in staffing a proposed revision of the operational approval limitation from \$150,000 to \$200,000. We would prefer to continue our policy of having the Board level reflect the operational approval level and would suggest before making any changes that we await the outcome of the current PPB activity.

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Recommendation Number 23

In this general area of Board and supporting activity, we note some adverse comment concerning adherence to principles of "need to know." It strikes us strange that, in a day of decentralization of procurement, when contracting officers sit organizationally side-by-side with technical and operations officers and now know more than they ever did concerning that for which they are contracting, this observation is made. The Agency, as such, by virtue of the existence of the Contract Review Board can be considered more knowing than ever before of that for which it is contracting. The one particular case, upon which the Report bases its finding, is a most sensitive one which differs only in degree and not in principle with those developments and operations conducted under a [] classification. Its 25X magnitude is such it represents the largest dollar volume contract currently backed by Agency-appropriated funds and its sensitivity is such that a specific briefing on it was given by the Deputy Director for Science and Technology to Senator Richard Russell on 26 September 1969. This Agency is an intelligence organization with all that that connotes. We believe we should conduct our business under the historic principles of "need to know," judiciously applied, when it appears to us necessary to do so to protect both intelligence sources and methods, as well as clandestine undertakings.

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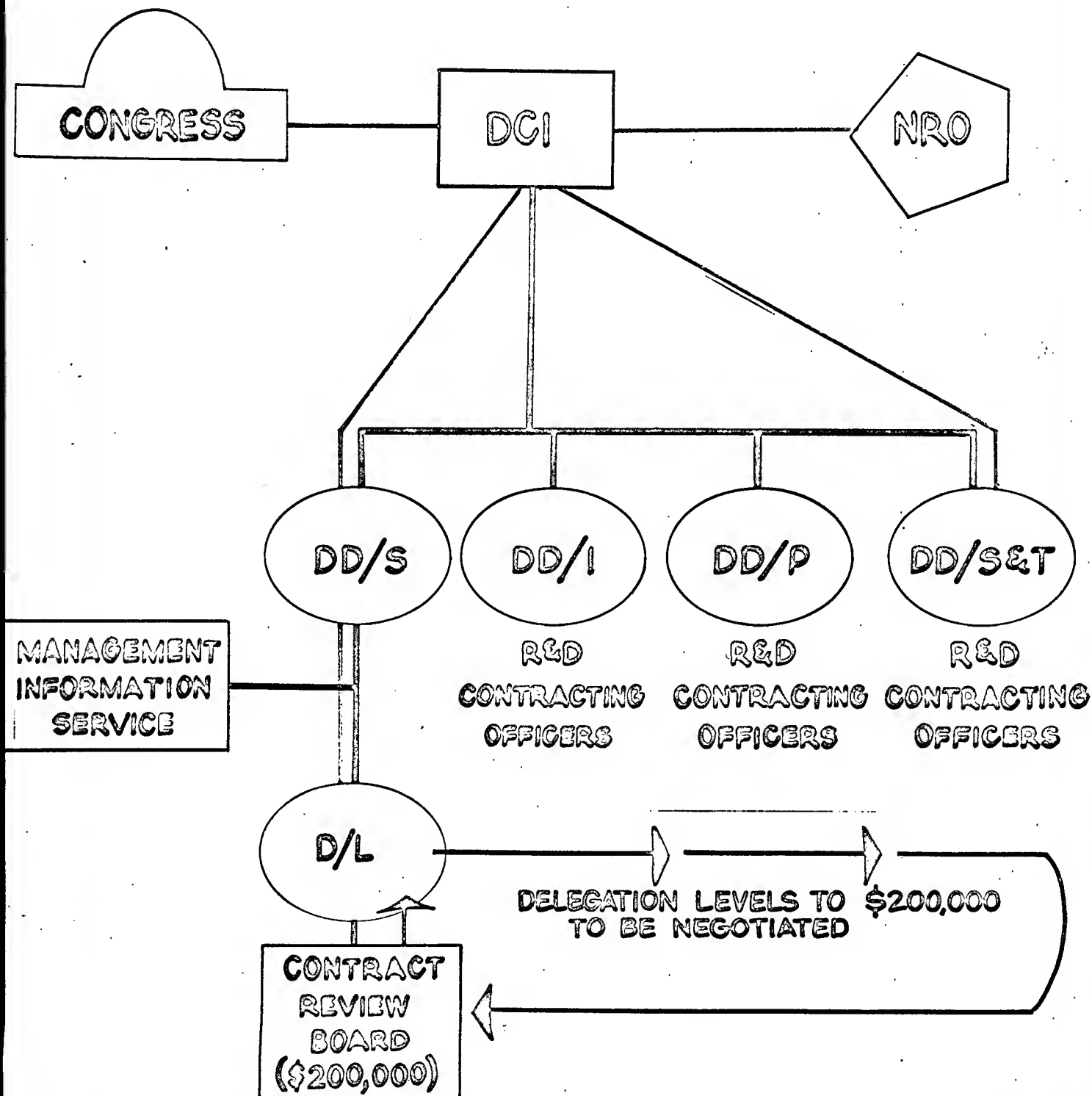
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DD'S RECOMMENDATIONS

- REAFFIRM THE DIRECTOR OF LOGISTICS AS THE AGENCY CONTRACTING OFFICER FOR ACTIONS FUNDED FROM AGENCY APPROPRIATIONS.
- ESTABLISH A CONTRACT REVIEW BOARD TO ADVISE THE DIRECTOR OF LOGISTICS ON CONTRACTING POLICY & TO REVIEW AND RECOMMEND ACTION ON CONTRACTS OVER \$200,000.
- EXPAND ON CURRENT PRINCIPLE OF ASSIGNING CONTRACTING OFFICERS TO OPERATING COMPONENTS BY ESTABLISHING WITHIN DD/I, DD/P AND DD/S&T "CONTRACTING TEAMS", i.e., CONTRACT, AUDIT, AND SECURITY OFFICERS AUTHORIZED TO EXECUTE RESEARCH AND DEVELOPMENT CONTRACTS TO A \$200,000 LEVEL MAXIMUM.
- EXPEDITE THE DEVELOPMENT OF AN AGENCY-WIDE PROCUREMENT MANAGEMENT INFORMATION SYSTEM (ADP).
- DIRECTOR OF LOGISTICS AUTHORIZED TO CONCLUDE IMPLEMENTING ARRANGEMENTS WITH OPERATING DIRECTORATES AND UNDERTAKE NECESSARY REGULATORY REVISIONS.

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DD/S RECOMMENDATIONS



This Notice Expires 1 February 1969

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CIA CONTRACT REVIEW BOARD

1. GENERAL

- a. The CIA Contract Review Board shall function in an advisory and recommendatory capacity to the Director of Logistics in support of his responsibilities as senior Agency official responsible for Agency-funded procurement operations. The board shall review proposed contract actions, as described below, and also operationally approved procurement requests which, by their nature, are of contractual policy, procedural, or operational significance. It shall monitor the overall effectiveness of Agency-wide procurement policies.
- b. The board's responsibilities shall be discharged without assumption of operational, technological, or contractual responsibility--its responsibilities remaining advisory and recommendatory.

2. PRIOR REVIEW OF PROPOSED CONTRACT ACTIONS

- a. The board shall review proposed contracts or additional scope amendments individually in excess of \$150,000 valuation, or overrun-funding amendments if overrun funding exceeds \$22,500 and also exceeds 15 percent of original cost estimate.
- b. Such review of individual contracts or classes of contracts may be waived by the board with the concurrence of the Director of Logistics.

3. REVIEW OF OPERATIONALLY APPROVED PROCUREMENT REQUESTS

Subsequent to operational and command program approval of procurement requests estimated to exceed \$150,000, copies of the requests shall be forwarded to the board for its initial consideration. Any member, believing that such requests present unique contracting policy or substantive considerations, may request the board's approval to invite representatives of the sponsoring directorate to brief the board on the proposed undertaking.

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4. APPRAISAL OF AGENCY PROCUREMENT STRUCTURE

In accordance with paragraph 1, the board shall, from time to time, give the Director of Logistics its views on the overall effectiveness of Agency-wide procurement policies, procedures, and practices and the efficacy of the procurement unit concept, to include:

- a. Adherence to established Agency procurement policies.
- b. Procurement team participation in the formulation-of-requirements cycle.
- c. Audit assistance and liaison.
- d. Security assistance and liaison.

5. ORGANIZATIONAL CHANGES

Proposed major organizational changes within directorates that affect the procurement function may be submitted to the board by the Director of Logistics for its comments and recommendations. Based on its general level of knowledge and experience, the board may recommend organizational changes to the Director of Logistics, including delegations of contracting authority, assignments of functional workloads, and other appropriate matters, for accomplishment of the Agency's unique procurement needs in support of the Director's responsibilities as established by the Central Intelligence Agency Act of 1949, as amended, or as otherwise supplemented.

6. PROCUREMENT TEAM SUPPORT

The board may recommend policies, procedures, and philosophies for facilitating action of cognizant procurement team(s).

7. PROCUREMENT STUDIES

The board may be requested by the Director of Logistics, Deputy Directors, or higher authority to make observations and comments on the Agency's procurement processes. It shall be constantly aware of the general overall effectiveness of the procurement program and may, from time to time, furnish the Director of Logistics with its observations.

MANAGEMENT

8 April 1968

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8. INTERAGENCY PROCUREMENT RELATIONSHIPS

The board shall recommend policies and procedures for interagency joint or accommodation procurement. The chairman of the board shall, in the absence of any other designee for this purpose, be the Agency representative to interagency procurement boards and committees.

9. BOARD ADVISERS AND STAFF

a. ADVISERS AND CONSULTANTS

The board shall be furnished legal, audit, and security advisers to participate in all board responsibilities. Through the Director of Logistics the board may request attendance of Agency personnel at specified board meetings to advise and consult with the board on matters within their special expertise or knowledge. Any such request shall provide a reasonable time for such appearance and shall indicate the general scope of information or advice desired.

b. INFORMATIONAL REQUESTS

The board, through the Director of Logistics, may request cognizant Agency units to submit informational reports covering various aspects of the Agency's procurement process as reasonable and necessary for the board's proper and enlightened functioning.

c. BOARD STAFFING

Except for regular board membership, the staff shall be limited to an executive secretary to be appointed from the Logistics Career Service and secretarial and clerical assistance. It is the intent that the board shall rely on procurement organizational units or staffs for staff studies and staff-support reports and information.

FOR THE DIRECTOR OF CENTRAL INTELLIGENCE:

R. L. BANNERMAN
Deputy Director
for Support

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